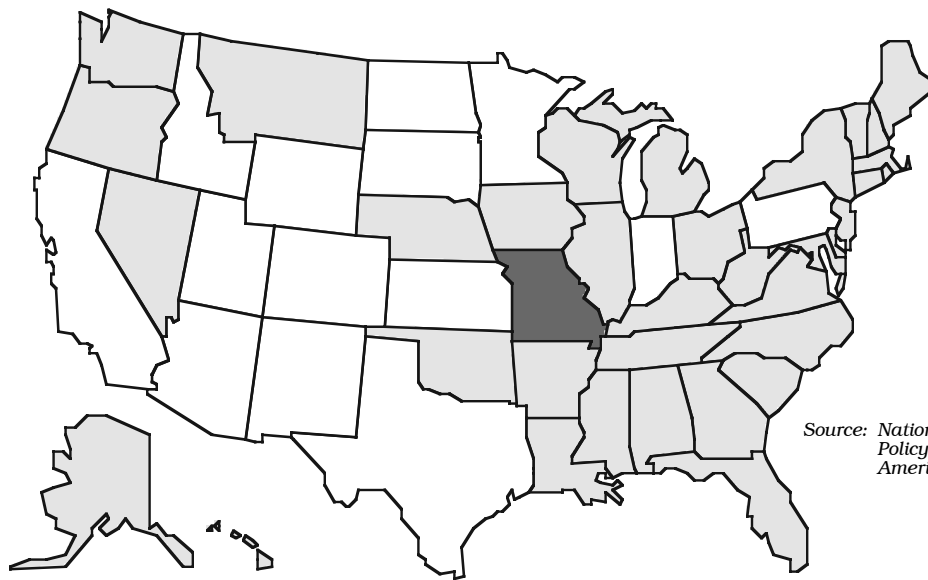


Certificate of Need

Effective • Efficient • Accountable

More than 70% of the states in our nation, including the District of Columbia (see below), continue to regulate and allocate health care resources through Certificate of Need (CON), or a similar program under another name. Currently, only 14 states have no CON process, while others have reinstituted or strengthened it.

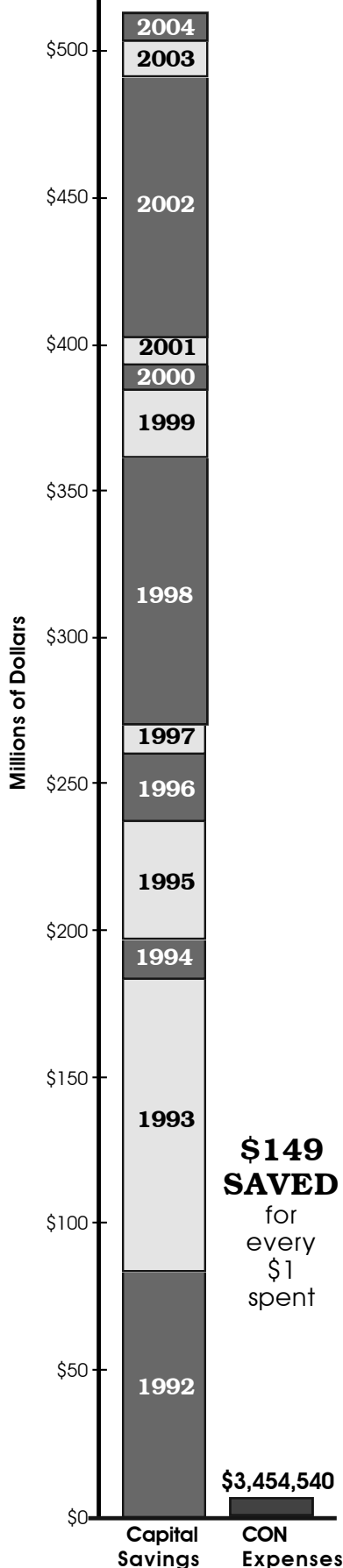


*Source: National Directory of Health Planning,
Policy and Regulatory Agencies,
American Health Planning Association*

Missouri CON has been effective in the following ways:

- **Saves money**
by saving \$149 in capital expenditures for every \$1 invested;
- **Ensures accountability**
to Missouri citizens through public meetings and notices;
- **Protects the community**
by limiting unnecessary health care services; and
- **Promotes planning**
through sound management and community need assessment.

**\$513,602,117
SAVED**



CON Saves Money

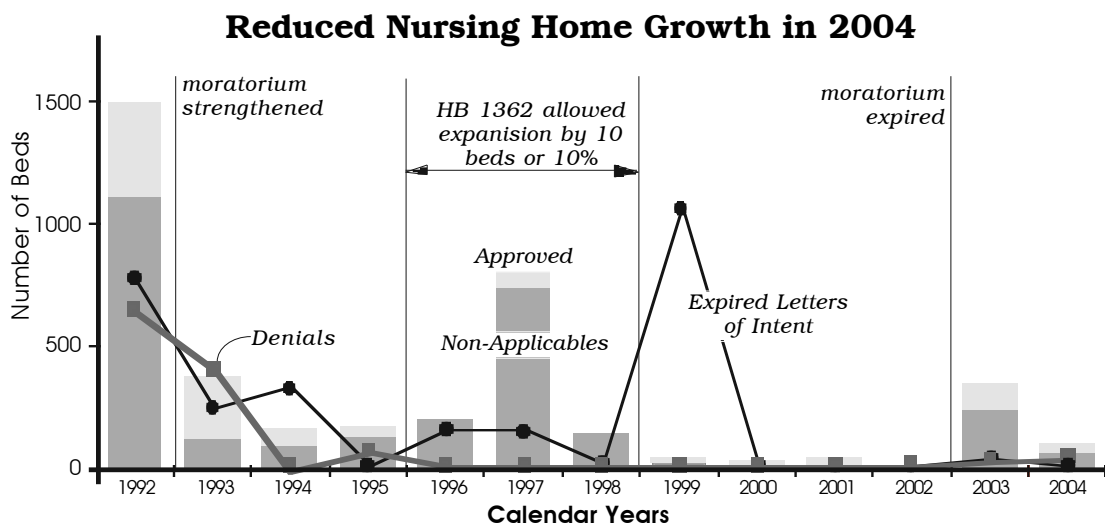
Over \$149 in capital expenditures were precluded by CON actions for every \$1 invested to administer the program from January 1, 1992, to December 31, 2004 (*see column chart at left*). Since more revenue from application fees was generated than was used by CON for this period, the state treasury has also realized a net gain (*see chart on the top of next page*).

Ensures Accountability

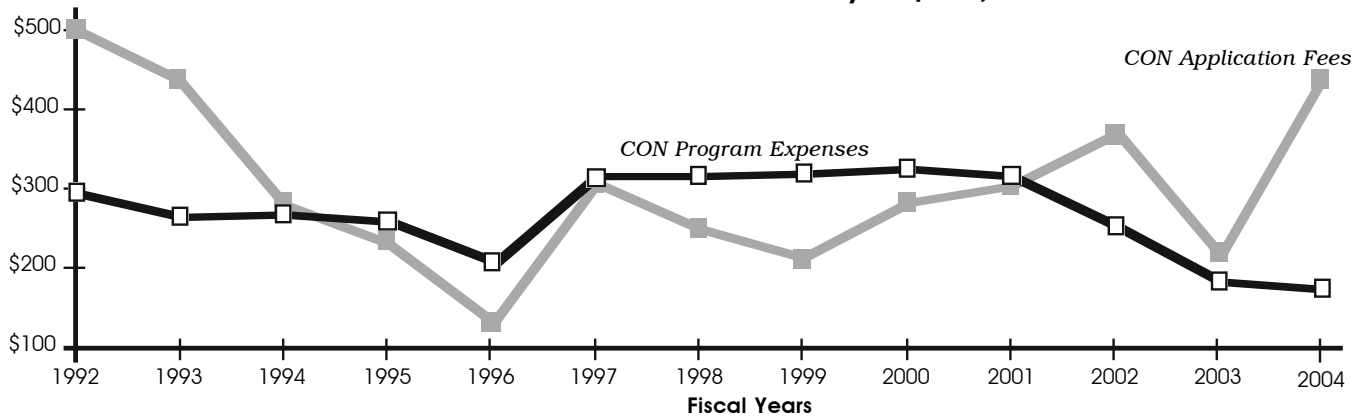
Public scrutiny acts as a powerful deterrent to unneeded proposals. The public pays for more than 50% of hospital costs and 60% of nursing home costs through Medicaid and Medicare. All applicants are required to justify their proposals in terms of their community's need. Communities are notified of all CON applications in their area through published notices. Public hearings are a guaranteed right of local citizens.

Protects the Community

On January 1, 2003, the long term care bed moratorium, which had been in place since 1983, expired. Actions taken in 2004 allowed for 103 additional nursing home beds. This growth was well below the 328 beds which were granted in 2003. The greatest growth was with 502 new residential care facility beds. Statutory provisions also allowed 88 nursing home beds to be transferred from low-occupancy facilities to facilities meeting high-occupancy, high-quality requirements. This continues to result in substantial cost savings to Missouri citizens. Holding down expansion is still an important issue since the statewide occupancy rate for licensed and available nursing home beds was less than 78% in 2004.



Thirteen-Year Net Gain to Treasury of \$454,538



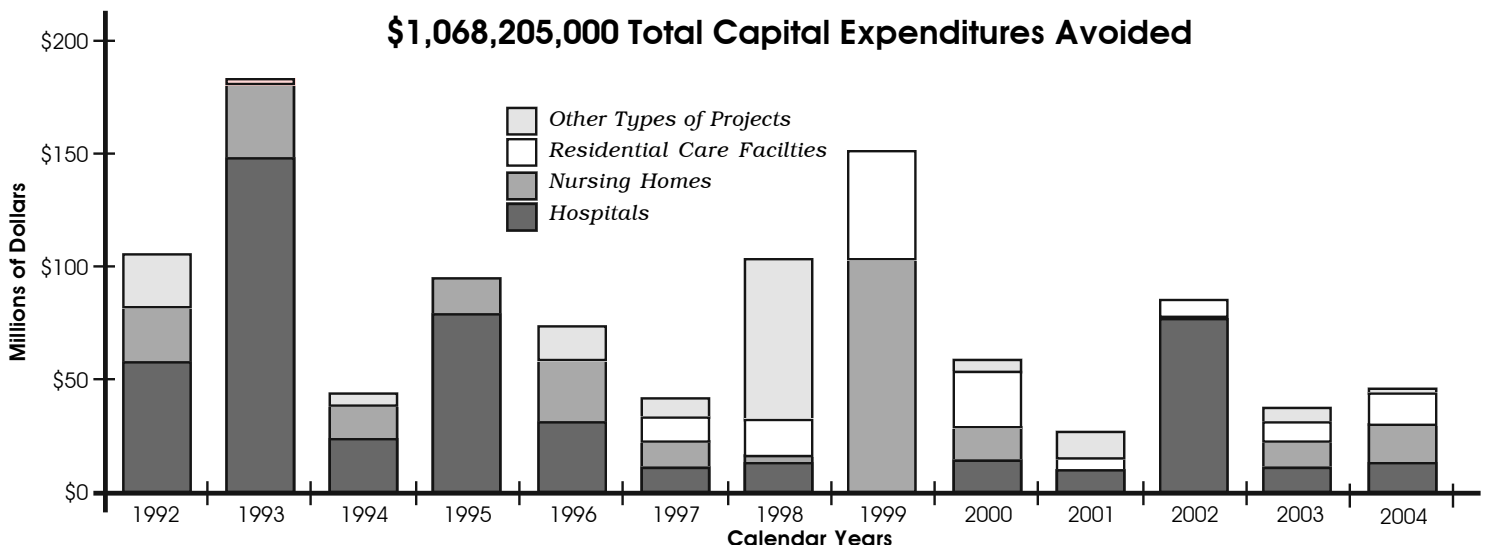
Promotes Planning

Diligent and responsible planning for new health care services and facilities improves the chances for success. The CON application process is based on the belief that responsive community-based planning and sound business management has been conducted. The CON program is an opportunity to document that effort.

Frequently, an idea or perceived need is born because of its profit potential or its ability to enhance the marketability and image of the applicant. When good management principles and financial feasibility studies are applied from the community perspective, many such ideas don't survive. Therefore, CON minimizes and prevents market-generated failures and closures.

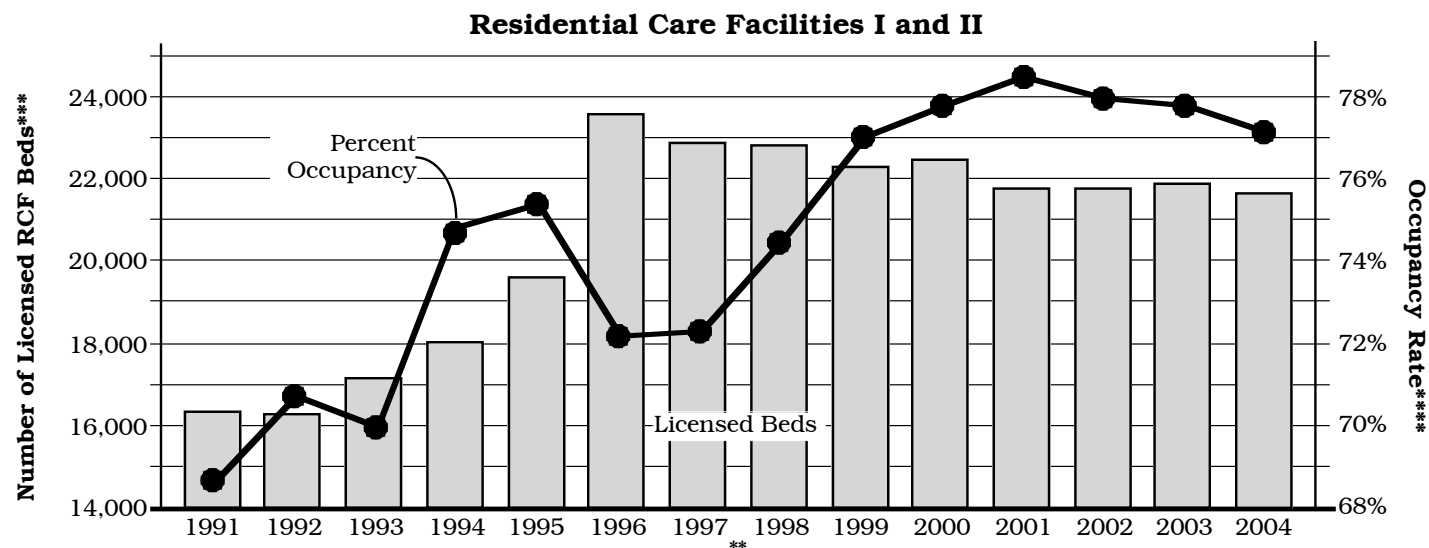
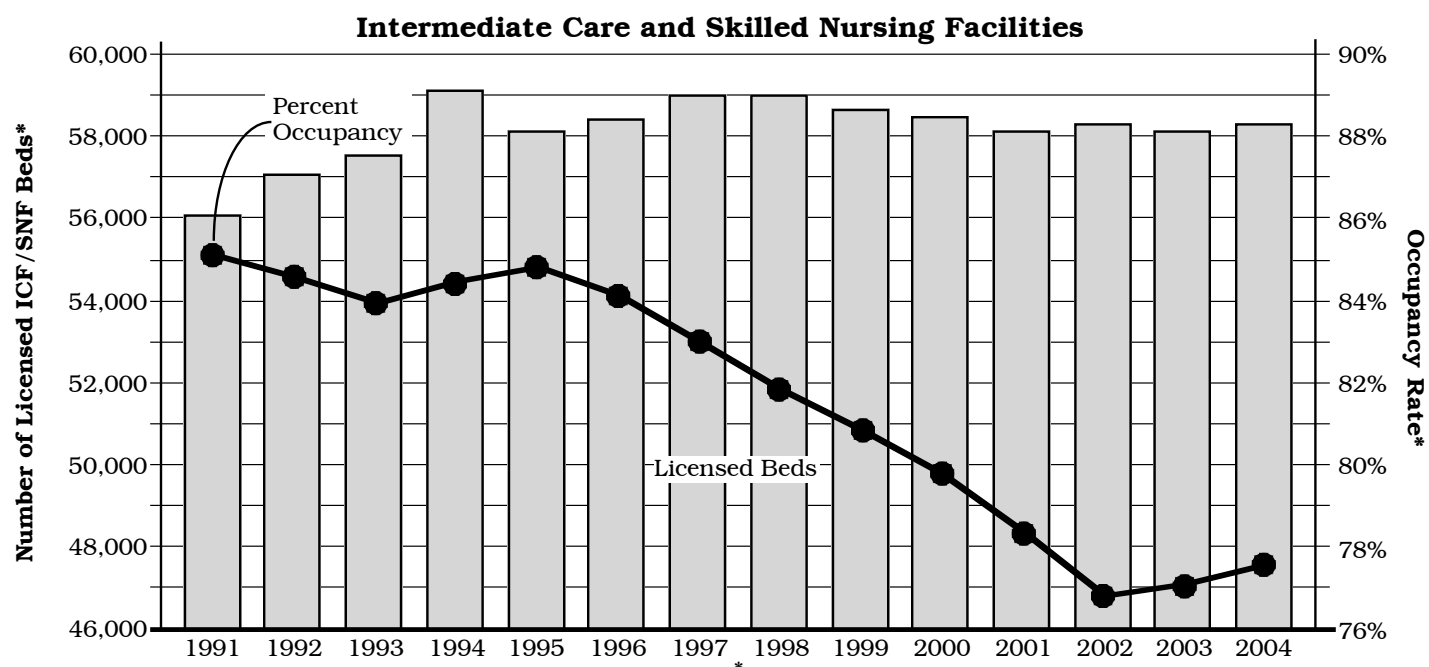
Many projects or ideas never become applications. This has often been referred to as the "sentinel effect." A prime indicator is the number of Letters of Intent (announcements of an idea) which never reach the application stage (final commitment stage). The chart below illustrates that more than \$1 billion in expenditures for hospitals, nursing homes, residential care facilities and other projects were avoided from 1992 through 2004, because the projects were abandoned following the submittal of the Letter of Intent. These savings are in addition to those reported on the previous page. Also, they do not include savings from those proposals which were abandoned before they even reached the Letter of Intent stage.

\$1,068,205,000 Total Capital Expenditures Avoided



Source: Certificate of Need Program files

Comparison of Long-Term Care Capacity and Occupancy (Calendar Years 1990-2004)



* All ICF/SNF data based on Quarterly Survey Data.

** Occupancy based on Quarterly Survey Data of the number of licensed and available beds starting the Second Quarter of 1994 (approximately 6.3% of licensed ICF/SNF beds and 11.9% of licensed RCF beds are generally unavailable).

*** Number of RCF beds based on Division of Health Standards and Licensure Data 1989-1993, and Quarterly Survey Data thereafter.

**** Occupancy Data for 1989-1993 was obtained from the Department of Health and Senior Services, and Quarterly Survey Data thereafter.

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